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California Energy Commission  
Docket Unit  
1516 Ninth Street  
Mail Stop 4  
Sacramento, CA 95814

**RE:** Docket 04-DIST-GEN-1 - Order Instituting Rulemaking Regarding Policies, Procedures and Incentives for Distributed Generation and Distributed Energy Resources ("OIR")

Dear Commissioners:

SDG&E and SoCalGas appreciated the opportunity to listen to the presentations at the May 5, 2004 Workshop held at the CEC in Sacramento and appreciates the opportunity to file comments relating to this OIR. SDG&E and SoCalGas enthusiastically support the CEC and CPUC's joint effort to quantify the costs and benefits of DG so that effective and efficient DG can quickly be delivered to California. Supporting the commission in these efforts, SDG&E and SoCalGas offer comments to enhance the process, strengthen the quality of the data you are gathering, and provide other important insights. We have two primary suggestions at this time. First, SDG&E and SoCalGas suggest that the commission should continue the active, ongoing participation in the cost benefit work, contemplated by this proceeding, by interested parties who wish to participate. Such participation is critical to the integrity of the data produced. Further, SDG&E and SoCalGas urge this commission to clarify and publish the steps it will use in this OIR to produce accurate, quantifiable cost benefit DG data. Second, SDG&E and SoCalGas suggest that you leave unchanged the existing distribution planning process. Currently, it is the exclusive right and duty of the utilities, under CPUC jurisdiction to plan, design and operate their distribution systems. This is based on safety and reliability concerns. This OIR should not change that. These issues are illustrated in further detail, below.

#### Process

SDG&E and SoCalGas suggest that, from time to time in the course of the contemplated cost benefit work, the commissions should continue to hold open public workshops to review, in detail, the progress of the cost benefit work, as well as the assumptions behind the work. These public reviews will provide an opportunity to determine the appropriateness of the assumptions of the work and their impact on the final work products. For example, at the commission's May 5 workshop, Snuller Price, E3, presented the results of his work on avoided cost methodology for energy efficiency and its applicability to DG. In this work, the avoided T&D costs were allocated to the time of the day based upon utility FERC form 1 filings and climate data. SDG&E and SoCalGas note that, based upon previous work by E3, the avoided costs were shown to be location, time and project specific. A relevant question to be asked and answered is: "Which proposed methodology is applicable?"

Another example was the presentation of Peter Evans, New Power Technologies. Mr. Evan's modeling of a static condition for Silicon Valley Power's system assumes all DG are synchronous generators. On SDG&E's system, most DG are either induction or inverter based machines with limited ability to contribute VARs to the system. They are not controlled by SDG&E. SDG&E and SoCalGas submit that understanding the result of this real world scenario in addition to the Evans model results would be critical information, which must be developed and compared.

SDG&E and SoCalGas submit that ongoing stakeholder involvement in the study process could identify and resolve issues such as these, as they arise, so that the final product of each of the studies would be more reliable and useful to both commissions. SDG&E and SoCalGas are willing to participate in this effort.

### Distribution Planning

Much was also said during the May 5, 2004 Workshop about the desire for a transparent and open distribution planning process. This issue was one of the key items discussed as part of R.99-10-025, Phase 1 and addressed by the CPUC in D.03-02-068, Attachment 1 hereto. Commissioner Geeson invited parties to submit materials developed by the CPUC concerning distribution planning into the record in this proceeding. Attached hereto are elements of that record SDG&E and SoCalGas believe the Energy Commission will find informative and useful.

By way of background, the CPUC in two separate decisions D.99-10-065 and D.03-20-068 affirmed the right and duty of the utilities, exclusively, under the jurisdiction of the CPUC, to plan, design and operate their distribution systems. SDG&E and SoCalGas extract key findings of those decisions below.

In D.99-10-065 at pg. 16 the CPUC stated:

"System planning raises the question of who should be responsible for system planning, and the future role of the UDC. Since PUC §330 requires the distribution system continue to be owned and maintained by the "state's electrical corporations," and regulated by the CPUC, the responsibility for distribution system planning should remain with the electrical corporations regulated by the CPUC."

And in D.03-02-068 at pg. 13 the CPUC said:

"The utilities indicate that if the utility is responsible for the safety, reliability and operation of the distribution system, it must have control over the planning and operation of the system. We reaffirm this today."

Challenges to these conclusions were also addressed by the CPUC. In D.03-02-068, at pg. 76 the CPUC stated:

"Several parties recommend that the record be reopened to consider changes in the electricity market since hearings on these issues were held. Other parties oppose reopening the record. Because this decision deals primarily with distributed generation and its integration with the distribution planning process and its impact on the distribution system rather than its role as an energy provider, we see no need to reopen the record to consider these issues."

The CPUC also stated how the utilities were to address the issue of integrating DG in the distribution planning process in D.03-02-068, at pg. 17:

“The key utility responsibility is system planning. System planning must consider distributed generation alternatives (both on the grid side and customer side of the meter) to wires upgrades as part of the normal planning process. Non-utility solutions should be actively solicited through the planning process. The level of utility control/physical assurance should be weighed in evaluating/selecting options.

We do not wish to re-create a BRPU-type process for determining whether wires or distributed generation should be used to satisfy demand for electricity in distribution constrained areas. As part of each utility’s planning process, each utility shall determine when a distribution system upgrade is necessary to ensure reliability and safe operation of the system. As a part of this determination, the utilities shall determine if a grid-side distributed generation unit could be a reasonable means of providing the electricity demanded in the identified constrained area.”

Further in D.03-02-068, at pg. 18 the CPUC stated:

“SDG&E outlines the criteria distributed generation must meet to allow the utility to defer capacity additions and avoid future cost. The distributed generation must be located where the utility’s planning studies identify substations and feeder circuits where capacity needs will not be met by existing facilities, given the forecasted load growth. The unit must be installed and operational in time for the utility to avoid or delay expansion or modification. Distributed generation must provide sufficient capacity to accommodate SDG&E’s planning needs. Finally, distributed generation must provide appropriate physical assurance to ensure a real load reduction on the facilities where expansion is deferred. There is potential that distributed generation installed to serve an onsite use will also provide some distribution system benefit, however, unless it meets the four planning criteria describe by SDG&E, such benefits will be incidental in nature.”

The commission reached its decisions in D.03-02-068 based upon extensive all party testimony and evidentiary hearings. SDG&E’s R.99-10-025 Opening & Reply briefs and SDG&E’s comments on the various proposed decisions in that proceeding are provided in Attachments 4-12 attached hereto

Regarding the desire of parties to understand how the utilities operate and plan their distribution systems, the CPUC in D.03-02-068 summarized the need and development of a workshop report to address the issues. The CPUC stated in D.03-02-068, at pg. 11. Distribution System Operations and Planning:

We recognized that significant deployment of both grid-side and customer-side distributed generation would likely affect distribution system planning, operations and maintenance, and indicated that R.99-10-025 should study the impacts on these functions.

The CPUC then directed the Energy Division to hold a workshop to consider these specific distribution system planning and operations issues:

- How distributed generation impacts distribution system operations;
- What changes in operating practices may be needed;
- How the utilities can identify the level of future deployment of distributed generation; and
- How this forecast of deployment can be incorporated into the distribution system planning process.

A Workshop Report dealing with the above (Attachment 3 attached hereto) was filed by the Energy Division on April 17, 2000.

SDG&E and SoCalGas appreciate the opportunity to comment on the commission's efforts to determine the quantifiable costs and benefits DG may hold for California and looks forward to working with the commissions and others to bring effective and efficient DG to California as soon as possible.

Respectfully submitted,

*Bernie Orozco*

Attachments:

- 1- CPUC Decision 03-02-068, 2/27/03
- 2- CPUC Decision 99-10-065, 10/21/99
- 3- CPUC Operations & Planning Workshop Report, OIT 99-10-025, 4/17/00
- 4- SDG&E Comments, 99-10-025, 3/11/02
- 5- SDG&E Reply Comments to Draft Decision of ALJ Cooke, 3/18/02
- 6- SDG&E Opening Comments on PD of Commissioner Bilas, 4/09/01
- 7- SDG&E Reply Comments on PD of Commissioner Bilas, 4/16/01
- 8- SDG&E Reply Comments on Alternate PD of Commissioner Wood, 6/26/01
- 9- SDG&E Phase 2 Reply Brief, 12/15/00
- 10- SDG&E Phase 2 Opening Brief, 12/13/00
- 11- SDG&E Phase 1 Reply, 8/11/00
- 12-SDG&E Opening Phase 1 Brief, 7/24/00